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From:

Sent: Thursday, October 22, 2009 2:14:09 PM

To:

Cc:

Subject: RE: TEFRA Penalties on Withholding Issue

We agree with your analysis in the below e-mail message: the failure to report capital gain and the related penalties would be addressed in an FPAA to the tier partner. We would add only that, without a prior FPAA to the key case entity, the Service will be bound by the partnership items of the key case entity, including the components of the tier partner's outside basis utilized in calculating the gain at the partner level.

From:

Sent: Thursday October 22, 2009 6:48 AM

To:

Cc:

Subject: RE: TEFRA Penalties on Withholding Issue

The 1446 withholding issue for the TEFRA LLC would be a partnership item and would go on the 4605-A in the remarks section. You'd use a narrative format and reference an 886-A which would explain the tax, law, argument, etc. If you are applying penalties at the TEFRA entity-level, they too would be a paragraph in the remarks section and reference an 886-A for the penalties.

If this goes unagreed and FPAAs are issued, both of these partnership items would be reflected in the FPAA.

Hope this helped. Please get back to me if I can be of further assistance.